

## Kansas Health Policy Authority (KHPA) At-A-Glance:

- KHPA is a quasi-independent unclassified agency created by legislature in 2005, and led by a Board of Directors appointed by the Governor and legislative leadership.
- KHPA administers medical portions of Medicaid, State Children's Health Insurance Program (SCHIP), HealthWave, the State Employee Health Plan, and the State Self-Insurance Fund (SSIF), which provides workers compensation coverage for state employees.
- Funds for our public insurance programs – Medicaid, SCHIP – are matched by federal government at 60% and 72%, respectively. On a monthly basis, we provide medical coverage to over 300,000 people, including more than 125,000 infants and children, and nearly 88,000 elderly and disabled Kansans.
- Certain Medicaid-funded long-term care services, including nursing facilities and Home and Community Based Services (HCBS) are managed on a day-to-day basis by the Kansas Department of Aging (KDOA) and the Kansas Department of Social Rehabilitation Services (SRS). These agencies also set policy for the Medicaid programs under their jurisdictions.
- KHPA is charged in statute with gathering and compiling a wide array of Kansas health-related data that is used to guide policy development and inform the public. As an example, the legislature requested that we complete 20 studies on various health policy topics by the beginning of the 2009 legislative session. Those studies are complete and have been sent to the Legislative Coordinating Council.
- KHPA is also charged in statute with providing development of a statewide health policy agenda including health care and health promotion components (see next page).



## Governor's Budget Recommendations Fact Sheet

### KHPA FY 2009 Budget:

- Governor's Recommendation for KHPA is \$1.8 billion All Funds; \$503.2 million SGF
- Governor's recommendation for administration is \$88.0 million All Funds; \$23.2 million SGF
- Budget reflects a 6.6% reduction in administrative spending; \$11.2 million cut in SGF

### KHPA FY 2010 Budget:

- Governor's Recommendation for KHPA is \$1.9 billion All Funds; \$515.0 million SGF
- Governor's Recommendation for administration is \$82.6 million All Funds; \$22.3 million SGF
- Budget reflects a 12.3% reduction in administrative spending

### Selected Budget Reduction Items in Governor's Budget

	FY 2009		FY 2010	
	SGF	All Funds	SGF	All Funds
Reduce Contractual Service Expenditures	\$1,111,749	\$5,734,123	\$1,321,175	\$5,525,000
Reduce Salary and Wage expenditures	\$383,595	\$1,153,866	\$440,430	\$1,246,706
Administrative reductions in travel, printing, supplies, communications, equipment replacement	\$67,249	\$399,000	\$53,642	\$359,100
Switch Health Care Access Improvement Fee Fund for State General Fund	\$6,000,000			
Switch Medical Programs Fee Fund for State General Fund	\$2,500,000		\$5,700,000	
Move Children's Initiative Fund for immunization to KDHE				
Medical Assistance program recommendations and Transformation savings.			\$9,500,000	\$23,900,000
18 month time limit for Medicaid Enrollment			\$6,700,000	\$6,700,000
Expand Preferred Drug List to include mental health drugs			\$800,000	\$2,000,000

### Agency Impact:

- Governor's budget requires a \$1.2 million reduction in salary and wage expenditures in FY 2009 and FY 2010
- The Governor's budget requires KHPA to hold 26 positions vacant during FY 2009 and an additional 9 positions vacant during FY 2010 -- total of 35 -- or more than 10% of our workforce.
- To meet salary and wage budget recommendations, we will evaluate whether key programs can continue or if staff will need to be reassigned to cover critical shortages.
- Reductions in contractual service expenditures total \$5.7 million in FY 2009 and \$5.5 million in FY 2010; KHPA notifying contractors of need to cancel or renegotiate contract terms
- Given only 6 months of fiscal year remain, achieving \$5.7 million in contractual savings will mean harsher reductions this year across the agency to meet budget targets.
- KHPA has already begun our administrative belt-tightening, including instituting a hiring freeze; banning out-of-state travel, limiting printing and communications, and restricting staff training.
- Governor's budget does not recommend eliminating programs for beneficiaries or reducing provider reimbursement, however, it reduces Medicaid caseload estimate by \$32.6 million All Funds; 17.1 million SGF.
- Governor's budget recommendation includes a \$58.37 million reduction to the State Employee Health Plan (SEHP) by suspending agency contributions to the plan for seven pay periods; we are currently analyzing the impact on SEHP insurance premiums and the long term stability of the fund.

The Governor's budget did include many of the KHPA Medicaid Transformation recommendations as well as two proposed program changes aimed at meeting our reduced resource budget targets for FY 2010.

**Expansion of the preferred drug list.** State law prohibits management of mental health prescription drugs dispensed under Medicaid. Under this proposal, that prohibition would be rescinded. KHPA will use the newly created Medicaid Mental Health Prescription Drug (PDL) Advisory Committee to recommend appropriate medically-indicated management of mental health drugs. Using a PDL together with an automated prior authorization process, we can directly manage the safety and effectiveness of mental health prescription drugs.

■ **Expense:** Mental health drugs have been highest drug expenditure by class of medications and most-prescribed drugs by volume in Medicaid; cost growth in pharmacy exceeds growth in other services. Expenditures for mental health drugs increased from previous fiscal year by more than \$4 million in FY 2007.

■ **Safety:** Serious concerns about the safety of some mental health drugs have arisen, especially in children. KHPA claims data reveal 6,179 Kansas children under age 18 on Medicaid received a prescription for an atypical antipsychotic; 214 children under 18 were prescribed 5 or more different antipsychotics within a 90 day period

■ **Efficacy:** Many of these newer drugs have recently been associated with negative side effects. A large scale meta-analysis of 150 scientific trials found that the newer generation of anti-psychotics carried no clear advantage in effectiveness in the treatment of schizophrenia, were associated with significant new risks, and in comparison to the older drugs did not improve on the pattern of side effects observed in older drugs.

■ **Cost Savings:** KHPA proposal would begin using mental health PDL in January of 2010 with an expected savings of \$2,000,000 All Funds; \$800,000 SGF in FY 2010.

**Time limited MediKan.** MediKan currently provides health care to persons with significant impairments who do not meet the level of disability necessary to receive Medicaid and are unlikely to meet Social Security Disability criteria. However, people eligible for MediKan are required to pursue Social Security benefits as a condition of eligibility. The reduced resource proposal would place a firm "lifetime limit" on the receipt of MediKan benefits with no exceptions or hardship criteria. Also, using Working Healthy as a model, MediKan would be modernized by redirecting a portion of current expenditures to offer a package of services consisting of basic health care and employment services aimed at re-entry into the workforce and achieving self-sufficiency. The KHPA proposal estimated that applying the time limit and developing the modified services package would result in savings of \$1.5 million from the State General Fund during FY 2010. The Governor increased the savings estimate to \$6.7 million from the State General Fund. The Governor's recommendation includes using \$5.0 million of the program savings to provide limited health care and workplace training services. This is roughly half of what the KHPA had proposed to offer the limited health benefits and workplace training.

**Medicaid Transformation Process:** In addition to these reductions submitted in the budget, KHPA was asked to suggest additional ways of reducing Medicaid expenditures. KHPA has engaged in the process of reorganizing and refocusing the agency to expand capacity for data analysis and management, and to adopt data-driven processes in the management of our programs. The Medicaid Transformation and program reviews identified several administrative changes and efficiencies that could be implemented in the Medicaid program without reducing the number of people served. Recommendations from the Medicaid Transformation process, coupled with additional administrative savings and efficiencies in pharmacy requested by the Governor are included in the following table:

Medicaid Savings in FY 2010 (Governor's Recommendation); excludes Fee Fund proposals	FY 2010	
	SGF	All Funds
Manage Medicaid Mental Health Pharmaceuticals through an expanded Medicaid preferred drug list ; reduced resource item	800,000	2,000,000
Time Limit MediKan to 18 months with additional employment supports; reduced resource item	6,700,000	6,700,000
Pharmacy Changes: Cost reimbursement for physician office administered drugs; Improve cost avoidance and third party liability in pharmacy claims; Accelerate review of generic drug price limits ; other administrative savings	\$4,400,000	\$11,000,000
Ensure Medicare pays its share of hospital charges for beneficiaries with dual eligibility; other administrative savings	\$4,000,000	\$10,000,000
Home Health Reforms; Medicaid Transformation recommendation	\$200,000	\$500,000
Durable Medical Equipment pricing reforms; Medicaid Transformation recommendation	\$160,000	\$400,000
Transportation Brokerage; Medicaid Transformation recommendation	\$200,000	\$500,000
Tighten payment rules for Hospice Services; Medicaid Transformation recommendation	\$300,000	\$750,000
Automate and expand pharmacy prior authorization; Medicaid Transformation recommendation	\$300,000	\$750,000
<b>Total</b>	<b>\$ 17,060,000</b>	<b>\$32,600,000</b>

## 2009 KHPA Reform Recommendations

- **Advancing a Statewide Clean Indoor Air Law:** An overwhelming number of studies confirm that smoking is the number-one preventable cause of death and illness in Kansas. Without such a ban, even those who choose not to smoke are made to suffer from exposure to secondhand smoke. According to KDHE, a statewide ban in Kansas would protect the public from these harmful effects, result in 2,160 fewer heart attacks, and save \$21 million in health care costs.
- **Increasing Tobacco User Fees:** KHPA is proposing increase cigarette taxes by \$.75 per pack – from \$.79 to \$1.54. The purpose of the tax is twofold: to make smoking more expensive, thus encouraging smokers to quit and discouraging non-smokers from ever starting; and to generate revenue to fund expansion of health insurance coverage. The budget impact will add \$87.4 million in new revenue for FY 2010.
- **Expanding Access to Affordable Health Care and Public Health:** Using the tobacco user fee as funding, the KHPA is proposing to expand Medicaid to cover all parents and caregivers with incomes below the federal poverty level and expanding access to cancer screening for low-income Kansans and providing tobacco cessation programs for Medicaid recipients.